

## PAYDAY LOANS IN IDAHO CONTINUED. . .

- ◆ Having outstanding payday loans to a borrower in excess of \$1,000
- ◆ Engaging in unfair or deceptive acts or practices in advertising or conducting business
- ◆ Accepting any property, title to property, or other types of collateral for a payday loan
- ◆ Renewing a payday loan more than three (3) consecutive times. After three (3) renewals the loan must be paid in full before another payday loan is extended
- ◆ Imposing any other fee to a payday loan borrower other than the agreed-upon finance charge

The Idaho Department of Finance is the regulatory and licensing authority for entities whose activities are regulated by the Idaho Credit Code, Idaho Residential Mortgage Practices Act, Idaho Mortgage Company Act, the Idaho Escrow Act, and the Idaho Collection Agency Act. The goal of the Department is to assure the availability and quality of consumer finance services, and ethical debt collection practices in Idaho.

For Idahoans who have a complaint against a licensee, the Department offers a consumer affairs response program. The consumer affairs response program relies largely on the cooperation of both parties to resolve a dispute and complaints are often resolved through this process. However, as determined solely by the Department, complaints may also result in civil or administrative enforcement actions.



## IDAHO DEPARTMENT OF FINANCE

### MISSION STATEMENT

To aggressively promote access to vigorous, healthy and comprehensive financial services for Idaho citizens. This is accomplished through prudent and efficient oversight of financial institutions, investment opportunities and credit transactions.

### THE IDAHO DEPARTMENT OF FINANCE

800 Park Boulevard, Suite 200

Boise, Idaho 83712

Telephone: (208) 332-8000

Toll Free in Idaho: (888) 346-3378

The Idaho Department of Finance maintains a list of its current licensees, including payday lenders, on its website (<http://finance.idaho.gov>).

STATE OF IDAHO  
DEPARTMENT OF FINANCE

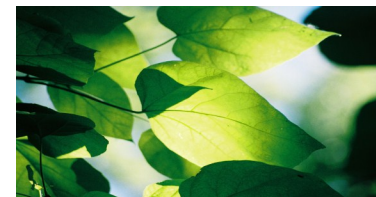
## PAYDAY LOANS IN IDAHO

### A BORROWER'S RIGHTS AND REMEDIES



# Idaho Department of Finance

# PAYDAY LOANS IN IDAHO



A payday loan is a cash advance secured by a personal check or paid by electronic transfer. Most payday loans work like this: Say you need to borrow \$100 for two weeks. You write a personal check for \$120; \$20 is the fee to borrow the money. The lender agrees to hold your check until your next payday. When that day arrives, either the lender deposits the check or you roll-over the loan and are charged \$20 more to extend the financing 14 more days. If you agree to electronic payments instead of a check on your next payday the lender would debit the full amount of the loan from your checking account electronically, or extend the loan for an additional \$20. The cost of the initial \$100 loan is a \$20 finance charge, which works out to an annual percentage rate of 521 percent. If you roll-over the loan three times, the finance charge would climb to \$80 to borrow the \$100.

Payday loans are regulated under the Idaho Credit Code by the Idaho Department of Finance. The Department of Finance urges borrowers who may be considering a payday loan to become aware of what their rights are under the law, and consider all choices and alternatives before entering into a contract.

## ALTERNATIVES AND CHOICES:

Borrowers in need of cash may be wise to consider options and compare loan fees offered by other lenders before borrowing.

When shopping for a loan, borrowers should always look for the lowest annual percentage rate (APR). Payday loans are likely to include the highest APRs. Options for lower APRs may include:

- ◆ Banks, credit unions, or smaller loan companies
- ◆ Employers

- ◆ Local government programs in the consumer's community
- ◆ Family members

If a payday loan is the chosen option, the Department of Finance advises consumers to borrow only as much as they can afford to pay with their next paycheck and still have enough to make it to the next payday. Payday loan fees average about \$20 for every \$100 borrowed for a fourteen day period. Annualized, that amounts to a 521 percent annual interest rate.

If you are behind on a payday loan payment, consider contacting your lender to request additional time to pay back your loan. Some payday lenders offer a short term non-interest-bearing payment program to help borrowers who need assistance. Borrowers also may want to seek the assistance of a licensed credit or debt counselor who can provide service to debtors in the management of their debts. Credit/debt counselors operating in Idaho are required to be licensed by the Idaho Department of Finance. A listing of licensed credit/debt counselors can be found on the Department's website at <http://finance.idaho.gov>.

## PAYDAY REQUIREMENTS UNDER FEDERAL AND STATE LAW:

Payday lenders doing business in Idaho are regulated by the federal Truth in Lending Act (Regulation Z) and the Idaho Credit Code. Truth-in-Lending laws require disclosures to be made to borrowers in plain language and in a conspicuous manner. In addition, Truth-in-Lending requirements mirror many of Idaho's requirements as outlined below.

Idaho law requires the following from payday loan companies doing business in Idaho:

- ◆ Payday lenders doing business in Idaho must be licensed before offering payday loans (A payday

loan made in Idaho in violation of licensing requirements is void, uncollectable and unenforceable)

- ◆ Payday loans are limited to no more than \$1,000
- ◆ Each licensee must post a notice of fee costs, expressed in a dollar amount as a cost per \$100
- ◆ Before doing business with a borrower, licensees must disclose to the borrower that:
  - a. payday loans are short-term loans
  - b. the borrower will be required to pay additional fees if the loan is renewed
  - c. the borrower may rescind/cancel the loan, at no cost, no later than the end of the next business day following the day the payday loan was made
  - d. the costs for the payday loan must be disclosed as an annual percentage rate (APR) on a Truth-in-Lending form

Payday lenders may charge any interest rate on the short term loan, so long as it is agreed upon by the borrower, and it is expressed in dollar amount and annual percentage rate in the contract.

## PAYDAY LOAN VIOLATIONS OF THE ACT:

Payday loan companies doing business in Idaho are prohibited from:

- ◆ Accepting payment for a payday loan through the proceeds of another payday loan made by the same payday lender